



# China-U.S. Relations: Current Issues and Implications for U.S. Policy

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## Summary

The bilateral relationship between the U.S. and the People's Republic of China (PRC) is vitally important, touching on a wide range of areas including, among others, economic policy, security, foreign relations, and human rights. U.S. and PRC interests are bound together much more closely now than even a few years ago. These extensive inter-linkages have made it increasingly difficult for either government to take unilateral actions without inviting far-reaching, unintended consequences. The George W. Bush Administration addressed these increasing inter-linkages by engaging with China, regularizing bilateral contacts and cooperation, and minimizing differences. The Administration of President Barack Obama has inherited not only more extensive policy mechanisms for pursuing U.S.-China policy, but a more complex and multifaceted relationship in which the stakes are higher and in which U.S. action may increasingly be constrained.

Economically, the United States and the PRC have become symbiotically intertwined. China is the second-largest U.S. trading partner, with total U.S.-China trade in 2008 reaching an estimated \$409 billion. It also is the second largest holder of U.S. securities and the largest holder of U.S. Treasuries used to finance the federal budget deficit, positioning the PRC to play a crucial role, for good or ill, in the Obama Administration's plans to address the recession and the deteriorating U.S. financial system. At the same time, the PRC's own substantial levels of economic growth have depended heavily on continued U.S. investment and trade, making the Chinese economy highly vulnerable to a significant economic slowdown in the United States.

Meanwhile, other bilateral problems provide a continuing set of diverse challenges. They include difficulties over the status and well-being of Taiwan, ongoing disputes over China's failure to protect U.S. intellectual property rights, the economic advantage China gains from not floating its currency, and growing concerns about the quality and safety of exported PRC products. The PRC's more assertive foreign policy and continued military development also have significant long-term implications for U.S. global power and influence. Some U.S. lawmakers have suggested that U.S. policies toward the PRC should be reassessed in light of these trends.

During the Bush Administration, Washington and Beijing cultivated regular high-level visits and exchanges of working level officials, resumed military-to-military relations, cooperated on anti-terror initiatives, and worked closely on the Six Party Talks to restrain and eliminate North Korea's nuclear weapons activities. Although these and other initiatives of engagement are likely to continue in some fashion under the Obama Presidency, their direction and format are still being formulated in the Administration's early days. Still, in what some see as a significant Administration signal about China's importance for U.S. interests, Secretary of State Hillary Clinton included the PRC in her first official trip abroad as Secretary in February 2009, which included stops in Japan, Indonesia, South Korea, and China (February 20-22).

This report addresses relevant policy questions in current U.S.-China relations, discusses trends and key legislation in the current Congress, and provides a chronology of developments and high-level exchanges. It will be updated as events warrant. Additional details on the issues discussed here are available in other CRS products, noted throughout this report. For background information and legislative action during the 110<sup>th</sup> Congress, see CRS Report RL33877, *China-U.S. Relations in the 110<sup>th</sup> Congress: Issues and Implications for U.S. Policy*, by Kerry Dumbaugh. CRS products can be found on the CRS website at <http://www.crs.gov/>.

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## Recent Developments

**July 27-28, 2009**—The first U.S.-China Strategic and Economic Dialogue was held in Washington, DC. The two sides signed a memorandum of understanding reaffirming their commitment to cooperate on addressing climate change, and said they would work to reform the governance of the International Monetary Fund and the World Bank to better reflect China's growing economic status. The meeting also resulted in an announcement that the United States and China would resume routine military contacts and high-level military exchanges in the coming months.

**July 7, 2009**—Utah Governor Jon Huntsman was nominated formally to become the next U.S. Ambassador to China.

**July 5, 2009**—A riot involving a reported 1,000 or more people broke out in Urumqi, the capital city of China's Xinjiang Province. The riots reportedly began when police confronted a protest march conducted by ethnic Uighurs, a Muslim minority in China. News accounts reported that the riots left 140 people dead and more than 800 injured.

**July 5, 2009**—Several employees of Australia's mining company, Rio Tinto Ltd., reportedly were detained in China allegedly for revealing state secrets. Rio Tinto had been in difficult negotiations with the China Iron and Steel Association over the pricing of iron ore.

**July 4, 2009**—In defiance of a U.N. Security Council resolution, North Korea fired 7 ballistic missiles into the sea between the Korean peninsula and Japan. The United States, South Korea, and Japan protested the firings; Beijing and Russia issued statements counseling restraint by all parties.

**June 24, 2009**—The United States and China concluded the 10<sup>th</sup> annual round of Defense Consultative Talks, marking the first such deputy-ministerial defense consultations since they were suspended in December 2007.

## Background and Overview

The Administration of President Barack Obama has inherited from the George W. Bush Administration a relationship with China that is smoother than in the past, but also has grown significantly more complex, multifaceted, and intertwined. During the Bush Administration, Washington and Beijing cultivated regular high-level visits and exchanges of working level officials, resumed military-to-military relations, cooperated on anti-terror initiatives, and worked closely on the Six Party Talks to restrain and eliminate North Korea's nuclear weapons activities. These and other initiatives of engagement are likely to continue in some fashion under the Obama Administration. In addition, the Obama Administration has indicated that it would like to forge greater cooperation with China on the international financial crisis, global climate change, and a range of security interests. These issues were the points of focus during Secretary of State Hillary Clinton's first official trip to China in February 2009.<sup>1</sup>

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<sup>1</sup> Secretary Clinton left for Asia on February 15, 2009, and made stops in Japan, Indonesia, South Korea, and China (continued...)

Despite these new avenues of cooperation, ongoing bilateral issues provide a constant set of challenges for U.S. policymakers. They include difficulties over the status and well-being of Taiwan, ongoing disputes over China's failure to protect U.S. intellectual property rights, China's economic and trade policies, and growing concerns about the quality and safety of exported PRC products. The PRC's more assertive foreign policy and continued military development also have significant long-term implications for U.S. global power and influence and have been of concern to U.S. policymakers. Some U.S. lawmakers have suggested that U.S. policies toward the PRC perhaps should be reassessed in light of these trends.

## **China's Importance and Implications for U.S. Policy**

Many U.S. observers have become increasingly concerned about China's growing economic and political reach in the world, often referred to as "China's rise," and what it means for global U.S. economic and political interests. Some in this debate believe China's growing global power and influence is a malign threat that needs to be thwarted; others believe that it is an inevitable phenomenon that needs to be guided and managed. Complicating this debate are the effects of globalization, which have bound together U.S. and PRC interests much more closely than in the 1990s. These extensive inter-linkages make it increasingly difficult for either government to take unilateral actions without inviting far-reaching, unintended consequences that could adversely affect other policy interests. Like the 110<sup>th</sup> Congress before it, the 111<sup>th</sup> Congress is facing recurring issues involving this debate and what policies and approaches may best serve and protect a broad range of U.S. interests.

This policy debate is animated by continuing uncertainty over how China ultimately may choose to wield its rising capabilities. According to one school of thought, China's economic and political rise in the world is inevitable and needs to be accommodated and managed. In this view, as China becomes more economically interdependent with the international community, it will have a greater stake in pursuing stable international economic relationships. China has a vested interest, for instance, in cooperating on ways to address the global economic crisis by helping to craft a new international financial system. Growing wealth in the PRC also is likely to encourage Chinese society to move in directions that will develop a materially better-off, more educated, and cosmopolitan populace. Such a populace, according to this view, is likely to be more conservative and more desirous of avoiding conflict with the United States. Already, say such proponents, these developments have led China's population to press its government for greater political pluralism, transparency, and inclusiveness—key U.S. objectives—and this trend is likely to continue as China's capabilities grow.

From this perspective, U.S. policy should seek to work more closely with the PRC, not only to encourage these positive long-term trends, but to seek ways to mutually benefit by cooperating on important global issues such as the international financial system, alternative energy sources, climate change, and medical research. Ultimately, some proponents of this view say, the United States simply will have to make room for the economic and political appetites of the superpower that China is likely to become. Viewing the PRC as a "threat" or attempting to contain it, these proponents say, could produce disastrous policy consequences. In addition to possible military conflict with the PRC, these consequences could include the possible creation of greater Chinese

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(...continued)

(February 20-22).

nationalism with a strong anti-American bias, a breakdown in PRC governance, the bolstering of party power and subsequent retrenchment of reforms, and/or an increasingly isolated United States that the international community may see as out of step with global trends.

Other proponents of the “inevitability” of China’s rise especially stress the extreme competitive challenges of China’s growing power. They say these challenges, even if benign, pose potentially huge consequences for U.S. global interests. Beijing officials, say this group, view the world as a state-centered, competitive environment where power is respected, and are determined to use the means at their disposal to increase their nation’s wealth, power, and influence in a largely opportunistic fashion. A militarily muscular China with substantial international economic ties will be able to exercise considerable political power that could prompt U.S. friends and allies to make different choices, eroding U.S. influence around the world. These observers charge that the PRC already is exploiting the international financial crisis to strengthen its access to international energy sources and other commodities. The United States, they argue, should develop a comprehensive strategic plan in order to counter China’s growing power by strengthening its existing regional alliances and making new ones, expanding overseas investments, sharpening American global competitiveness, and maintaining a robust military presence in Asia and elsewhere as a counterweight to growing PRC power and influence.

Others in the American policy debate see malign factors at work in China’s growing power. PRC leaders, they argue, may be portraying their growth as a “peaceful rise” with no harmful consequences, but actually they are biding their time, simply conforming to many international norms as a strategy while China is still weak. In reality, these proponents say, Beijing seeks at least to erode and at best to supplant U.S. international power and influence. In conducting their international relations, they maintain, Chinese leaders seek to cause rifts in U.S. alliances, create economic interdependence with U.S. friends, and arm U.S. enemies. Despite the statements of support for the U.S. anti-terrorism campaign, according to this view, the PRC’s repeated violations of its non-proliferation commitments actually have contributed to strengthening nations that harbor global terrorists. Furthermore, they maintain that the PRC under its current authoritarian form of government is inherently a threat to U.S. interests, and that the PRC political system needs to change dramatically before the United States has any real hope of reaching a constructive relationship with it. From this perspective, U.S. policy should focus on mechanisms to change the PRC from within while remaining vigilant and attempting to contain PRC foreign policy actions and economic relationships around the world where these threaten U.S. interests.

## **Current Issues in U.S.-China Relations**

With this broad array of difficult and challenging policy choices in mind, U.S.-China relations today are defined by a comprehensive list of bilateral and multilateral issues. Some of these remain key irritants in the relationship, while others are rooted in significant inter-dependence and mutual benefit. Likewise, some are characterized by vigorous competition, while others are founded on bilateral and multilateral cooperation.

### **Uighur Protests in Xinjiang: July 2009**

For years, the PRC government has maintained repressive security measures and policies restricting religious and ethnic practice in the Xinjiang-Uighur Autonomous Region. These are

directed primarily against members of a Muslim ethnic minority, the Uighurs. The PRC government has sought to justify such policies by arguing that some Uighur groups seek to establish an independent state in Xinjiang, and that these groups are acting as part of the global anti-terrorism campaign. U.S. officials have warned that the anti-terror campaign should not be used to persecute Uighurs or other minorities with political grievances against Beijing, although the U.S. government appeared to make a concession to Beijing on August 26, 2002, when it announced that it was placing one small group, the East Turkestan Islamic Movement, on the U.S. list of terrorist groups.<sup>2</sup>

The most serious Chinese confrontation with its Uighur minority to date occurred over a period of days beginning July 5, 2009, when a group of 1,000 Uighurs reportedly began to demonstrate peacefully in Xinjiang's capital, Urumchi, to protest PRC policies toward Uighurs. Among other things, the protesters were objecting to the way PRC authorities handled a June 2009 incident at a factory in Guangdong Province in which ethnic Han Chinese workers allegedly attacked Uighur workers, killing at least two. Amidst an increasingly heavy police presence, the protests turned violent, resulting ultimately in the reported deaths of 156 people and the injury of 1,000. In the ensuing days, additional incidents were reported that indicated long-simmering ethnic tensions were boiling over, including a reported march by large numbers of armed Han Chinese vigilantes apparently intent on revenge for the initial protests.<sup>3</sup>

PRC authorities have reacted aggressively to counter the demonstrations and further unrest. All the protest efforts reportedly have been countered by paramilitary troops and riot police. According to unconfirmed reports, PRC authorities have arrested over a thousand people, imposed curfews, and cut Internet access and other information sources to major parts of Urumchi.<sup>4</sup> Citing the intensity and apparent spread of the protests to other cities such as Kashgar, and Yili, PRC President, Hu Jintao cancelled his plans to attend the G-8 summit in Italy and instead returned to China.<sup>5</sup> At least one U.S. China analyst has found Hu's decision to return to China a worrisome sign about the state of political decision-making, crisis-management abilities, and civilian control of the military in China.<sup>6</sup>

The July 2009 protests highlight increasing tensions and resentments between the majority Han Chinese population and its ethnic Uighur and other minorities – tensions which some observers believe the PRC exacerbates by its harsh responses to such expressions of social disaffection. PRC officials see the aspirations of ethnic minorities for greater autonomy to be expressions of outright separatism or even advocacy for independence from China. Consequently, PRC officials impose restrictive policies in Xinjiang at which many Uighurs chafe, including the enforcement of limits on religious practice, emphasis of education instruction in the Chinese language instead of the Uighur language, and perceived greater employment preferences and economic benefit for Han Chinese immigrants over the local Uighur population. Many Han Chinese, however, see Uighurs and other ethnic minorities in China as being given unfair advantages over the ethnic

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<sup>2</sup> The 107<sup>th</sup> Congress considered a number of human rights resolutions relating to the PRC. For relevant bills, see the "China-Related Legislation in the 111th Congress" section of this report.

<sup>3</sup> Wong, Edward, "New clashes in Chinese city shed strong light on ethnic divide," *New York Times*, July 6, 2009, p. 4.

<sup>4</sup> Oster, Shai and Dean, Jason, "Han mobs seek revenge after riot – Chinese with makeshift weapons hunt Uighurs amid massive security presence in Urumqi," *The Wall Street Journal, Asia*, July 8, 2009, p. 1.

<sup>5</sup> Cha, Ariana Eunjung, "As unrest spreads, Chinese president skips summit; clashes continue in western city amid crackdown," *Washington Post*, July 8, 2009, p. A01.

<sup>6</sup> A view of Drew Thompson, Director of China Studies at the Nixon Center in Washington DC.

Chinese majority, including affirmative action in determining university placement, provision of housing benefits at remote job sites, and waivers of the “one-child” policy that applies to the majority Chinese population.

## Global Financial Crisis<sup>7</sup>

With the continued troubles in the U.S. financial system, the PRC is positioned to play a crucial role in any policy that Congress and the Obama Administration design to address the U.S. economic problems.<sup>8</sup> China has amassed a huge supply of foreign exchange reserves, totaling \$1.9 trillion as of December 2008, and the Chinese central government has become an ever more important purchaser of U.S. Treasuries and other U.S. debt. The financial rescue and economic stimulus program thus far enacted—and any further program that may be needed for the U.S. economy—will require a substantial level of new U.S. government borrowing, with China positioned to be a major purchaser of this new U.S. government debt. Some U.S. policymakers have expressed concern that this poses an economic risk to the United States should China’s foreign exchange purchase patterns change, and a political risk should China use this position to seek advantages on other bilateral issues.

Some are worried that China may be re-thinking its policy on purchasing U.S. Treasuries. In a January 2009 statement in London, PRC Premier Wen Jiabao said, “Whether we will buy more U.S. Treasuries, and if so, how much—we should make that decision according to China’s own needs ...”<sup>9</sup> U.S. observers and Members of Congress also have raised concerns that other PRC initiatives, such as the new sovereign wealth fund it established in 2007, signal that PRC officials may be interested in changing their investment strategies.<sup>10</sup> The PRC also is implementing a \$586 billion stimulus package for its own slowing economy, ostensibly designed to build major infrastructure projects, which may draw investment away from U.S. Treasuries. The plan has been criticized by some in China who say that its lack of project details or spending safeguards is an invitation for corruption, misuse, and malfeasance. According to one western news account, a group of Party elders has pressed the senior leadership on the need to establish oversight and accountability for the recovery spending program.<sup>11</sup> China’s stimulus plans pose other complications for U.S. officials, who have long pushed Beijing to stimulate Chinese domestic consumption, but now have the added complication of needing Chinese capital.

The scope of the current financial crisis suggests that global economic decision-making in the future is moving beyond the confines of the smaller “G” groups and into the broader arena of the Group of 20 (G20) countries, where China and other growing economies participate.<sup>12</sup> PRC President Hu Jintao participated in a G20 summit meeting in Washington, DC, on November 15,

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<sup>7</sup> See CRS Report RS22984, *China and the Global Financial Crisis: Implications for the United States*, by Wayne M. Morrison.

<sup>8</sup> See CRS Report RL34742, *The Global Financial Crisis: Analysis and Policy Implications*, coordinated by Dick K. Nanto.

<sup>9</sup> “China’s Wen wants review of U.S. bond purchases,” *Nikkei Report*, English, February 3, 2009.

<sup>10</sup> See CRS Report RL34337, *China’s Sovereign Wealth Fund*, by Michael F. Martin.

<sup>11</sup> Ansfield, Jonathan, “Party elders press for checks on China’s stimulus plan,” *New York Times*, March 4, 2009, p. 8.

<sup>12</sup> The “G-7” is comprised of the developed countries of Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States; “G-20” members include Argentina, Australia, Brazil, Great Britain, Canada, China, the European Union, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, South Africa, Saudi Arabia, South Korea, Turkey, and the United States.

2008, held to discuss the financial crisis, and also in the G20 meeting in London on April 2, 2009. (Hu cancelled his plans to attend the G8 meeting in Italy in July 2009 because of unrest in China's Xinjiang-Uighur Autonomous Region.) There are reports of increasing demands in PRC publications that China be a key player in helping to shape a new international financial system.<sup>13</sup> Nevertheless, China's broad approach to global economic policy remains unclear.

## **Military and National Security Issues<sup>14</sup>**

For some years, U.S. officials in the executive branch and in Congress have voiced both private and public concerns about China's expanding military budget, and other issues potentially involving U.S. national security. U.S. security concerns include the ultimate focus of China's military build-up; lack of PRC military transparency; recurring instances of apparent PRC attempts to gain U.S. military secrets; evidence of improving PRC military and technological prowess; and PRC military and technological assistance to rogue states and other international bad actors. Although the United States and PRC maintain some degree of high-level dialogue on military matters—and in fact resumed deputy-ministerial defense consultations in June 2009 after an 18-month hiatus—this is the aspect of the relationship that is most marked by lack of communication and mistrust of each others' motives.

### **South China Sea Incidents**

On March 9, 2009, the Pentagon reported that PRC ships and aircraft operating in the South China Sea had been acting in increasingly aggressive ways toward two U.S. Navy ocean surveillance ships operating in the area, the USNS Impeccable and the USNS Victorious. The U.S. vessels reportedly were operating about 75 miles south of Hainan Island, home to the PRC's Yulin Naval Base, where China has been operating new ballistic missile and nuclear attack submarines. According to reports, the PRC ships at one point approached to within 25 feet of the USNS Impeccable, halted abruptly in its path forcing an emergency stop, and dropped pieces of wood in the U.S. ship's path. Some observers were particularly troubled that such a confrontation occurred just a week after military negotiations with the PRC on February 27-28, 2009, that the Under-Secretary of Defense for East Asia, David Sedney, described as the best negotiations in which he had participated.<sup>15</sup>

The United States lodged a protest with the PRC government about the harassment, saying the USNS Impeccable ship had been operating in international waters. The Pentagon reported it had dispatched a guided-missile destroyer, the USS Chung-Hoon, to the South China Sea to escort the USNS Impeccable as it continued its surveillance.<sup>16</sup> Under the 1982 U.N. Convention on the Law

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<sup>13</sup> A Hong Kong news editorial on February 15, 2009, issued a call for China to use the financial crisis to "... help shape the world's agenda, which have long been dominated by the rich and powerful west." A member of China's Academy of Social Sciences opined that China should "demand G7 members to acknowledge its market economy status in an effort to promote a new international financial system." Both cited in "Confident diplomacy signals China's emergence as key global player," FEA20090303824089, OSC Feature, *BBC Monitoring*, March 3, 2009.

<sup>14</sup> See the following CRS reports: CRS Report RL33153, *China Naval Modernization: Implications for U.S. Navy Capabilities—Background and Issues for Congress*, by Ronald O'Rourke; CRS Report RL32496, *U.S.-China Military Contacts: Issues for Congress*; and CRS Report RL31555, *China and Proliferation of Weapons of Mass Destruction and Missiles: Policy Issues*, both by Shirley Kan.

<sup>15</sup> Wines, Michael, "U.S. praises military talks with China," *New York Times*, March 2, 2009, p. 2.

<sup>16</sup> Tyson, Ann Scott, "Destroyer to protect ship near China," *The Washington Post*, March 13, 2009, p. A12.

of the Sea, a country's territorial waters extend 12 nautical miles and its "Exclusive Economic Zone" (EEZ) extends 200 nautical miles from its coast. Under the U.N. Convention, vessels from other countries are allowed free navigation in a country's EEZ, including freedom to fish, lay pipelines and cables, and conduct scientific research. It is within this EEZ that the USNS Impeccable was operating. In the March 2009 incident, PRC officials claimed that as a military vessel, the USNS Impeccable's activities violate the U.N. Convention's EEZ provisions. Appearing before the Senate Armed Services Committee on March 10, 2009, Director of National Intelligence Dennis C. Blair testified that in recent years, the PRC has become "... more aggressive in asserting claims for the EEZ which are excessive under almost any international code." The March 2009 maritime incidents reflect the increasing potential dangers of China's expanding military operations in areas where U.S. military forces routinely operate.

## **China's Growing Military Power**

In its annual, congressionally mandated report on China's Military Power (most recently released on March 25, 2009) the Pentagon concluded that the pace and scope of China's military modernization has increased in recent years, and includes "acquisition of advanced foreign weapons, continued high rates of investment in its domestic defense and science and technology industries, and far-reaching organizational and doctrinal reforms ..." <sup>17</sup> In March 2009, the PRC announced that it would increase its military budget during the year by 14.9% over 2008 (to 480.69 billion RMB, or about \$70.2 billion), making this the 21<sup>st</sup> year of double digit increases in PRC military spending.<sup>18</sup>

U.S. military planners and other American military specialists maintain that PRC improvements appear largely focused on a Taiwan contingency and on strategies to "deny access" to the military forces of a third party—most probably the United States—in the event of a conflict over Taiwan. The report maintains that this build-up poses a long-term threat to Taiwan and ultimately to the U.S. military presence in Asia. The report also highlights U.S. concerns about how little is known of the motivations, decision-making processes, or capabilities of the PRC's military. The PRC released its most recent defense white paper, entitled China's National Defense in 2008, on January 20, 2009.<sup>19</sup> (Appendix B of this CRS report contains a list, legislative authority, and text links for selected mandated U.S. government reports on China, including the report on China's Military Power.)

## **PRC Space Activities**

On January 11, 2007, the PRC carried out its first successful anti-satellite (ASAT) test by destroying one of its moribund orbiting weather satellites with a ballistic missile fired from the ground. Previously, only the United States and the Soviet Union had conducted successful ASAT tests—tests both countries reportedly halted more than 20 years ago because of resulting space debris that could endanger other orbiting satellites. U.S. officials reportedly received no advance notice from Beijing, nor did Chinese officials publicly confirm the ASAT test until January 24,

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<sup>17</sup> See [http://www.defenselink.mil/pubs/pdfs/China\\_Military\\_Power\\_Report\\_2009.pdf](http://www.defenselink.mil/pubs/pdfs/China_Military_Power_Report_2009.pdf) (The cited language is identical to language in the 2008 report: see [http://www.defenselink.mil/pubs/pdfs/China\\_Military\\_Report\\_08.pdf](http://www.defenselink.mil/pubs/pdfs/China_Military_Report_08.pdf)).

<sup>18</sup> Er Shan, "NPC spokesman Li Zhaoxing: China's military spending will increase this year," Hong Kong *Zhongguo Tongxun She* in Chinese, translated in FBIS, CPP20090304004007, March 4, 2009.

<sup>19</sup> See full text at [http://www.gov.cn/english/official/2009-01/20/content\\_1210227.htm](http://www.gov.cn/english/official/2009-01/20/content_1210227.htm)

2007, 13 days after the event and almost a week after the U.S. government had publicly revealed the PRC test.<sup>20</sup>

China's ASAT test is illustrative of the country's ambitious and growing space program. In the 21<sup>st</sup> century, China has become only the third country, after Russia and the United States, to send manned flights into space—the first on October 15, 2003 (Shenzhou 5), with a single astronaut orbiting the earth; the second on October 11, 2005 (Shenzhou 6), with two astronauts,<sup>21</sup> and the third on September 25, 2008 (Shenzhou 7) with three astronauts after the 2008 Olympic Games. This latter mission included a space walk and the reported release of a small “companion” satellite into orbit, a move with potential military implications.<sup>22</sup> Meanwhile, China's official space plans include a three-stage lunar program, to include landing a rover on the moon by 2012 and launching a manned lunar mission by 2020. China completed the first of the three stages on October 24, 2007, launching its first unmanned lunar probe, the Chang'e 1 orbiter, aboard a Long March 3A rocket.

Noted American space experts have suggested that China's space program should not be viewed in isolation, but as part of a comprehensive drive to achieve “great power status.”<sup>23</sup> In addition to serving national security needs, China's space activities act as a multiplier for science and technological innovation, a vehicle for generating high-tech jobs, a diplomatic tool internationally, and a growing source of nationalist pride. China is emerging as an international competitor in the market for satellite sales, satellite data-sharing, and launch services.<sup>24</sup>

## **Economic and Trade Issues<sup>25</sup>**

Economic and trade issues remain extremely complicated and are a lingering source of contention in U.S.-China relations. The PRC remains the second-largest U.S. trading partner, with total U.S.-China trade in 2008 at \$409 billion. In addition to the substantial and growing U.S. trade deficit with China (which climbed to \$266 billion in 2008), bilateral issues include repeated PRC inability or unwillingness to protect U.S. intellectual property rights and the PRC's trade and currency policies. Issues involving allegations about tainted or faulty PRC exports to the United States are dealt with elsewhere in this report.

### **Currency Valuation**

On April 15, 2009, the U.S. Treasury Department released its latest, congressionally mandated, semi-annual report on international exchange rates.<sup>26</sup> As in previous reports, the report concluded that China's economy was out of balance—overly dependent on exports and with weak consumer

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<sup>20</sup> See CRS Report RS22652, *China's Anti-Satellite Weapon Test*, by Shirley A. Kan.

<sup>21</sup> China's manned space program was begun in 1992.

<sup>22</sup> Sargent, Sara, “China's space launch raises fears,” *United Press International*, October 3, 2008.

<sup>23</sup> See, for instance, writings by Dean Cheng, a specialist on China's space program with the Center for Naval Analysis; Kevin Pollpeter, China Program Manager of Defense Group Inc.'s Center for Intelligence Research and Analysis; and Scott Pace, Director of the Space Policy Institute at the George Washington University.

<sup>24</sup> Day, Dwayne A., “The new path to space: India and China enter the game,” *The Space Review*, October 13, 2008.

<sup>25</sup> See CRS Report RL33536, *China-U.S. Trade Issues*, by Wayne M. Morrison.

<sup>26</sup> The Treasury report can be found at [http://www.ustreas.gov/press/releases/reports/](http://www.ustreas.gov/press/releases/reports/fxreportfinalfor%20webapril152009.pdf)  
[fxreportfinalfor%20webapril152009.pdf](http://www.ustreas.gov/press/releases/reports/fxreportfinalfor%20webapril152009.pdf).

spending at home—but that the country’s large new fiscal stimulus package is aimed at rebalancing the economy by encouraging domestic consumption. Treasury declined to cite China as a currency manipulator. This was a significant departure from the statement made by Secretary of the Treasury-designate Timothy Geithner during his confirmation hearing on January 21, 2009, when he stated that China is “*manipulating* its currency ...”—a more loaded term than previous U.S. administration officials had used. Both Vice President Biden and President Obama later backed away from Geithner’s assertion.<sup>27</sup>

U.S. concern about China’s exchange rate policies have been building for several years. Formerly, the PRC pegged its currency, the renminbi (RMB), to the U.S. dollar at a rate of about 8.3 RMB to the dollar—a valuation that many U.S. policymakers concluded kept the PRC’s currency undervalued, making PRC exports artificially cheap and making it hard for U.S. producers to compete. U.S. critics of the PRC’s currency peg charged that the PRC unfairly manipulated its currency, and they urged Beijing either to raise the RMB’s value or to make it freely convertible subject to market forces. On July 1, 2005, the PRC changed its currency valuation method, allowing the RMB to float within a specified range against a basket of currencies.

The resulting 22% appreciation in the RMB, which traded at 6.8 RMB to the dollar in early March 2009, from this action have not been sufficient to assuage ongoing U.S. congressional concerns.<sup>28</sup> Since August 1, 2007, both the Senate Finance Committee and the Senate Banking, Housing, and Urban Affairs Committee have reported legislation addressing currency exchange rate issues.<sup>29</sup>

## Unfair Trade Subsidies

U.S. allegations that the PRC unfairly subsidizes some of its exports also have led to contentious bilateral trade issues. The U.S. Trade Representative (USTR) filed a case against China in the WTO in December 2008 charging that the PRC’s “Famous Chinese” brand program amounted to unfair export subsidies to promote PRC products overseas. On March 20, 2007, the U.S. Department of Commerce announced a preliminary decision to apply countervailing duties (an anti-subsidy remedy) to two PRC companies exporting “coated free sheet” (glossy) paper to the United States. The announcement broke with a 23-year U.S. policy, adopted in 1984, of not applying U.S. countervailing duty laws to non-market economies. Citing a 177% increase in imports of PRC glossy paper products from 2005-2006, then-Secretary of Commerce Carlos M. Gutierrez said that the PRC economy had evolved significantly in the last two decades and that U.S. tools to address unfair competition needed to evolve in response. The move signaled a new U.S. willingness to be assertive in challenging PRC trade policies and suggests that other American industries affected by the PRC’s exports, such as textiles, steel, and plastics, may soon be seeking similar remedies. Beijing sharply criticized the U.S. move.

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<sup>27</sup> Vice President Biden was quoted in a CNBC interview on January 29, 2009 as saying, “There’s been no judgment based in the administration that there has been a manipulation. That word triggers within trade agreements certain responses.” President Obama reportedly gave his reassurances in a telephone call to PRC President Hu Jintao. “Obama backing down on China,” in *The China Post*, English, February 4, 2008.

<sup>28</sup> See CRS Report RS21625, *China’s Currency: A Summary of the Economic Issues*, by Wayne M. Morrison and Marc Labonte.

<sup>29</sup> The Senate Committee on Banking, Housing, and Urban Affairs reported S. 1677, the Currency Reform and Financial Markets Access Act of 2007; the Senate Finance Committee reported S. 1607, the Currency Exchange Rate Oversight Reform Act of 2007.

## **Intellectual Property Rights**

China's failure to live up to many of its World Trade Organization (WTO) commitments to protect intellectual property rights (IPR) has become one of the most important issues in U.S.-China bilateral trade. According to calculations from U.S. industry sources, IPR piracy cost U.S. firms \$3 billion in lost sales in 2007, and the IPR piracy rate in China for software products was estimated at around 82% in 2006 – compared with 92% in 2003.<sup>30</sup> The Motion Pictures Association of America, Inc. has charged that China may be blocking the import of American films, creating more opportunities for pirated versions to circulate in China. On April 25, 2008, the U.S. Trade Representative issued its Special 301 report stating that many counterfeit products from China, including pharmaceuticals, electronics, and toys, posed a threat to U.S. and global consumers. In 2007, the USTR filed several cases in the WTO: one alleging that the PRC had failed to comply with its commitments under the WTO's Trade-Related Aspects of Intellectual Property Rights agreement (TRIPS); and one charging that the PRC failed to provide adequate market access to U.S. products.<sup>31</sup>

## **Concerns about Product Safety<sup>32</sup>**

Since early 2007, China has been plagued with reports of tainted and unsafe food and consumer products. New complaints emerged in March 2009 about PRC-made drywall which is suspected to be emitting corrosive gases.<sup>33</sup> In September 2008, concerns began to mount about infant formula and milk powder in China tainted with melamine, an industrial chemical that makes products appear more protein-rich. Amid an extensive public outcry after some babies died and an estimated 294,000 babies were sickened by the milk products, the PRC government took increasingly assertive measures to close down suspect producers and make arrests. On October 9, 2008, Beijing announced it was imposing limits of 1 milligram of melamine per kilogram in infant formula and 2.5 milligrams per kilogram in liquid milk. Among other related actions, PRC officials have initiated nation-wide inspections of various products and have arrested officials found to have violated product safety standards, sentencing at least two to death.<sup>34</sup> On December 16, 2008, the PRC government issued a list of 17 additional banned food additives, including lye, boric acid, and formaldehyde. Leaders in Beijing appear concerned about the implications that product recalls may have regarding the reputation of PRC products, and new policies have been announced periodically to address consumer product safety concerns.

Initial questions about the safety of imported products from China surfaced in March and April 2007, when an investigation by the U.S. Food and Drug Administration (FDA) linked tainted PRC exports of pet food with wheat gluten to reports of pet deaths from kidney failure in the United States. The pet food contamination was the beginning of a series of well publicized recalls of PRC imported products including fish, tires, toothpaste, and toys.

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<sup>30</sup> “PC Software piracy rate in China drops 10% in three years, 864 million dollars in losses was saved,” Business Software Alliance survey, May 15, 2007. <http://w3.bsa.org/china/press/newsreleases/2007-global-piracy-study-eng.cfm>

<sup>31</sup> See CRS Report RL33536, *China-U.S. Trade Issues*, by Wayne M. Morrison.

<sup>32</sup> See CRS Report RS22713, *Health and Safety Concerns Over U.S. Imports of Chinese Products: An Overview*, by Wayne M. Morrison.

<sup>33</sup> Hanna, Jason, “Chinese-made drywall ruining homes, owners say,” *CNN.com*, March 18, 2009.

<sup>34</sup> McDonald, Mark, “Death sentences in China milk case,” *International Herald Tribune*, January 22, 2009.

Bilateral efforts on the quality of Chinese exports to the United States have been underway for several years. In 2004, the Consumer Product Safety Commission (CPSC) and China's General Administration of Quality Supervision, Inspection, and Quarantine (AQSIQ) signed a memorandum of understanding (MOU) to cooperate on increasing the public safety of specific consumer products, including clothing, toys, cigarette and multipurpose lighters, home appliances, hazardous chemical consumer products, and bicycle helmets. The two agencies held their first biennial Consumer Product Safety Summit (CPSS) in Beijing in 2005, and the second biennial CPSS meeting in Washington on September 11, 2007. The tentative target time-frame for the third meeting, to be held in China, is October 2009.<sup>35</sup> In November 2008, the U.S. Department of Health and Human Services opened its first Food and Drug Administration (FDA) offices in China, in Beijing, Guangzhou, and Shanghai.

## **Tibet<sup>36</sup>**

March 10, 2009, marked the 50<sup>th</sup> anniversary of the Tibetan National Uprising against PRC rule in 1959, the year the current Dalai Lama fled to Dharamsala. Important anniversaries tend to be focal points for protests in China. The PRC dramatically increased its security presence in Tibetan regions of the country, maintaining special vigilance and a high alert level in Tibet for the anniversary date. On February 18, 2009, PRC officials announced that all tourist travel to Tibet would be restricted for the foreseeable future; in March 2009 officials announced Tibet would be reopened to tourists on April 5, 2009. The Dalai Lama used the occasion of the 50<sup>th</sup> anniversary of the Tibetan National Uprising to deliver an especially harsh statement, saying that the PRC had turned Tibet into a “hell on earth” and that “... the religion, culture, language, and identity [of Tibetans] ... is nearing extinction.”<sup>37</sup> The 111<sup>th</sup> Congress also may use the 2009 anniversary year as a vehicle for reviewing U.S. policy toward Tibet and the state of Sino-Tibetan relations.

Tibet remains an issue of concern for Congress and a sensitive issue in U.S.-China relations. Controversy continues over Tibet's current political status as part of China, the role of the Dalai Lama and his Tibetan government-in-exile, and the impact of Chinese control on Tibetan culture and religious traditions. The U.S. government recognizes Tibet as part of China and has always done so, although some dispute the historical consistency of this U.S. position.<sup>38</sup> But the Dalai Lama, Tibet's exiled spiritual leader, has long had strong supporters in the U.S. Congress who have continued to pressure the White House to protect Tibetan culture and give Tibet greater status in U.S. law. It was largely because of this congressional pressure that in 1997, U.S. officials created the position of Special Coordinator for Tibetan issues. Paula Dobriansky, Under Secretary of State for Global Affairs, served as the Special Coordinator in the Bush Administration, and was

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<sup>35</sup> Provided in a phone call with a Consumer Product Safety Commission official on February 4, 2009.

<sup>36</sup> See CRS Report RL34445, *Tibet: Problems, Prospects, and U.S. Policy*, by Kerry Dumbaugh.

<sup>37</sup> Wong, Edward, “Dalai Lama says China has turned Tibet into a ‘hell on earth’,” *New York Times*, March 10, 2009.

<sup>38</sup> Some assert that past U.S. actions which treated Tibet as if it were an independent state in effect signaled U.S. recognition. Michael C. van Walt van Praag, for instance, in *The Status of Tibet: History, Rights, and Prospects in International Law*, (Westview Press, Boulder Colorado, 1987) states that “Washington supported Tibet and treated it as an independent State, even recognizing its *de facto* (italics included) independence ... ” p. 139. In the daily press briefing of October 8, 1987, responding to a question concerning what year the United States formally recognized Tibet as a part of China, the State Department's Public Affairs office issued the following statement: “We have never recognized Tibet as a sovereign state independent of China. We first made the statement that we considered Tibet to be a part of China in 1978; however, our earlier formulations were not inconsistent with the statement, and we have never challenged China's claim. No third country recognizes Tibet as a state independent of China.”

the highest-ranking U.S. official to date to have held this position. As of the date of this report, the Obama Administration had not yet named a new Special Coordinator.

An enhanced PRC security presence in Tibet has existed since March 2008, when a series of confrontations involving Tibetans and Chinese officials marked the 49<sup>th</sup> anniversary of the 1959 uprising. In those demonstrations, the most serious in Tibet since the 1980s, a peaceful protest launched by Buddhist monks in Lhasa expanded to other places in Tibet over the ensuing days, escalating to clashes between Tibetan protestors and Chinese riot police. By March 14, 2008, mobs of angry people were burning and looting establishments in downtown Lhasa. Authorities of the People's Republic of China (PRC) responded by sealing off Tibet and moving in large-scale security forces.

## **U.S.-PRC Official Dialogues**

On April 1, 2009, on the sidelines of the G-20 Financial Summit in London, President Obama and China's President Hu Jintao announced the initiation of a new annual high-level dialogue, to be called the U.S.-China Strategic and Economic Dialogue (S&ED), designed to focus on economic, security, and other issues. According to a White House statement on the meeting of the two presidents, the "Strategic track" of the dialogue will be co-chaired by U.S. Secretary of State Hillary Clinton and PRC State Councilor Dai Bingguo, while the "Economic track" is being co-chaired by U.S. Treasury Secretary Timothy Geithner and PRC Vice Premier Wang Qishan. The first round of the S&ED was held in Washington, DC, on July 27-28, 2009.

As a result of the meeting, the two sides signed a memorandum of understanding (MOU) reaffirming their commitment to cooperate on addressing climate change, and said they would work to reform the governance of the International Monetary Fund (IMF) and the World Bank to better reflect China's growing economic status. The meeting also resulted in an announcement by Admiral Timothy Keating, commander of U.S. forces in the Pacific, that the United States and China would resume routine military contacts and high-level military exchanges in the coming months.

The new S&ED replaces two high-level U.S. dialogues with the People's Republic of China (PRC) formed during the Bush Administration: the U.S.-China Senior Dialogue (SD) under the auspices of the State Department, and the U.S.-China Strategic Economic Dialogue (SED), which was coordinated under the auspices of the Treasury Department. Under the activism of then U.S. Treasury Secretary Henry "Hank" Paulson, the higher-level SED was seen as the more prominent and productive dialogue. The new arrangements announced at the G-20 Financial Summit in 2009 effectively combine its two predecessors, the former SED and an upgraded version of the Senior Dialogue (described briefly below), into a single mechanism with two tracks.

- **The Senior Dialogue:** First suggested by PRC President Hu Jintao in 2004 during a meeting with President Bush, this predecessor to the S&ED held its first round in Beijing in August 2005, with former Deputy Secretary of State Robert Zoellick and PRC Vice Foreign Minister Dai Bingguo presiding. The SD provided a forum to discuss a broad range of issues such as trade; energy security; human rights; democracy; terrorism; non-proliferation; pandemic disease; and foreign policy problems including Iraq, Afghanistan, and North Korea. The sixth and final round of the SD was held in Washington, DC, on December 15, 2008.

- **The Strategic Economic Dialogue:** On September 20, 2006, Treasury Secretary Henry Paulson announced that he would chair a new senior-level mechanism for bilateral dialogue focusing on trade and economic issues, the U.S.-China Strategic Economic Dialogue (SED). The purpose of the SED was to advance U.S.-China economic relations and encourage China's continued economic transition to that of a responsible global player. The SED held its fifth and final round in Beijing on December 4-5, 2008, co-hosted by former U.S. Treasury Secretary Paulson and PRC Vice Premier Wang Qishan.

The new S&ED that replaces these two former high-level dialogues joins dozens of other regularly occurring official U.S.-China dialogues that hold regular meetings and have endured through multiple U.S. administrations. Generally these have been held on either an annual or biennial basis. These include the following:

- **The Joint Commission on Commerce and Trade** (JCCT), initiated in 1983 and elevated in 2003 to a senior level. Participating agencies are the U.S. Department of Commerce, the U.S. Trade Representative, and the PRC Vice Premier responsible for trade. The 18<sup>th</sup> session was held in Beijing in December 2007.
- **The U.S.-China Joint Economic Committee** (JEC), initiated in 1979. Participating agencies are the U.S. Department of the Treasury and the PRC Ministry of Finance.
- **The U.S.-China Joint Commission on Science and Technology** (JCM), initiated in 1979. Participating agencies are the Office of Science and Technology Policy (White House), the State Department's Office of Science and Technology Cooperation, and the PRC Ministry of Science and Technology.
- **The U.S.-China Economic Development and Reform Dialogue** (State-NDRC Dialogue), initiated in 2003. Participating agencies are the U.S. Department of State and the PRC National Development and Reform Commission.
- **The U.S.-China Energy Policy Dialogue** (EPD), negotiated in 2004 and initiated in 2005. Participating agencies are the U.S. Department of Energy and China's National Development and Reform Commission.
- **The Global Issues Forum** (GIF), negotiated in 2004 and initiated in 2005. Participating agencies include the U.S. Department of State's Bureau for Global Affairs and the PRC Ministry of Foreign Affairs.
- **The U.S.-China Healthcare Forum** (HCF), initiated in July 2005. Participating agencies are the U.S. Department of Commerce and the Department of Health and Human Services and the PRC Ministry of Health and Ministry of Commerce.

Notably absent from the robust U.S.-China dialogue process has been an official U.S.-China military or defense dialogue at a comparable level of intensity or public scrutiny. The primary mechanism that exists, the Defense Consultative Talks (DCT), has been intermittent, plagued with recurring setbacks, and of dubious value for a number of reasons.<sup>39</sup> Senior-level military talks periodically were suspended in protest to a perceived offense, such as in October 2008, when the PRC suspended talks in protest to the Bush Administration's approval of a \$6.5 billion arms sale to Taiwan. Admiral William Fallon, attempting to revitalize U.S.-China military ties as

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<sup>39</sup> See CRS Report RL32496, *U.S.-China Military Contacts: Issues for Congress*, by Shirley A. Kan.

Commander of the U.S. Pacific Command, was quoted in 2006 as saying that there had been so much decline in U.S.-China military ties in recent years that he was “starting from virtually zero” in trying to rebuild contacts.<sup>40</sup> Still, this intermittent process has resulted in a number of agreements and understandings with the PRC military over the years. These have included signing of a Military Maritime Consultative Agreement (1998); agreement to establish a military “hotline” (November 2007); participation in several search-and-rescue joint exercises; and an understanding to plan for joint military exercises (July 2008).

U.S.-China military relations look to be improving under the Obama Administration, with both PRC and U.S. officials apparently interested in restoring more regular military ties. President Obama and President Hu announced a shared commitment to better military-to-military relations on the sidelines of the 2009 G-20 Financial Summit. Several high-level military exchanges have taken place, and in June 2009, both sides resumed deputy-ministerial defense consultations, concluding the 10<sup>th</sup> annual round of Defense Consultative Talks. The two sides reportedly discussed U.S. arms sales to Taiwan, anti-terrorism efforts, the North Korea nuclear issue, the overall security situation in the Asia-Pacific, and the travel of U.S. planes and ships through China’s 200-mile exclusive economic zone, to which Beijing objects. The two sides reportedly agreed to discuss issues involving military security at sea in Beijing later in 2009. Finally, the two sides announced in late July 2009 that they soon would be resuming routine military contacts and high-level military exchanges.

## **Taiwan**

The island democracy of Taiwan remains the most sensitive and complex issue that U.S. policymakers face in bilateral Sino-U.S. relations.<sup>41</sup> It is the issue that many observers most fear could lead to potential U.S.-China conflict. Beijing continues to lay sovereign claim to Taiwan and vows that one day Taiwan will be reunified with China either peacefully or by force. Beijing has long maintained that it has the option to use force should Taiwan declare independence from China. Chinese leaders support these long-standing claims with a continuing build-up of hundreds of missiles deployed opposite Taiwan’s coast and with a program of military modernization and training that defense specialists believe is based on a “Taiwan scenario.”

Until May 2008, China watchers had been especially concerned with potential cross-strait conflict because of Taiwan’s unpredictable political environment, where the balance of political power had teetered precipitously between two contending political party coalitions of nearly equal strength. One of these—the “Pan-Green” coalition led by the Democratic Progressive Party (DPP), controlled the presidency for eight years and is closely associated with advocates of Taiwan independence.

Fears of cross-strait contention were eased on March 22, 2008, when, in a large turnout, voters in Taiwan elected Ma Ying-jeou of the KMT Party as president. Ma out-polled rival DPP candidate Frank Hsieh by a 2.2 million vote margin of 58% to 42%. Coming on the heels of the KMT’s sweeping victory in January’s legislative elections, the presidential election result appeared to be a further repudiation of former President Chen Shui-bian’s eight-year record of governance.

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<sup>40</sup> Scott Tyson, Ann, “Admiral tries to revive Chinese ties,” *Washington Post*, September 23, 2006, p. A14.

<sup>41</sup> For an analysis of current problems and challenges for U.S. policy toward Taiwan, see CRS Report RL33684, *Underlying Strains in Taiwan-U.S. Political Relations*, by Kerry Dumbaugh.

President Ma, who began his tenure on May 20, 2008, moved quickly to implement improvements in cross-strait relations, expanding on foundations laid by the previous Chen administration.<sup>42</sup> Official talks reopened on June 12-13, 2008, in Beijing, resulting in groundbreaking new agreements to allow regular weekend direct charter flights, to open permanent offices in each other's territories, and to boost PRC tourism to Taiwan, among others. The second round, held on November 4-7, 2008, produced four agreements on food safety, direct air and sea transportation, and direct postal links. The third round, which began in Nanjing, mainland China on April 26, 2009, resulted in a number of agreements and a consensus on jointly promoting, for the first time, mainland investment in Taiwan.

## Prospects for U.S. Taiwan Policy

Some China-watchers have speculated on whether U.S. policy toward Taiwan will continue along its current path in the Obama Administration or whether the White House will undertake a reassessment similar to the Taiwan Policy Review that the Bill Clinton Administration conducted in 1993-1994.<sup>43</sup> Such a prospect has support among some American scholars and policymakers, who suggest that there are a variety of reasons why the original U.S. policy framework on Taiwan should be revisited. Some cite, for instance, the need to support Taiwan's evolution as a full democracy since 1994; others cite concerns about what U.S. policy should be if Taiwan's Ma Administration should choose closer relations, or even alignment, with the PRC.<sup>44</sup> Along with these new potential policy challenges, the Obama Administration will be faced with other challenges familiar from past years, including decisions on new arms sales; how to accommodate requests for visits to the United States by President Ma and other senior Taiwan officials; the level of U.S. relations with the Ma government; whether to pursue closer economic ties with Taiwan; what role, if any, Washington should play in cross-strait relations; and more broadly, what form of defense assurances to offer Taiwan.

## U.S. Arms Sales to Taiwan<sup>45</sup>

On October 3, 2008, the George W. Bush Administration notified Congress of its intention to sell a package of defense articles and services, worth as much as \$6.4 billion, to Taiwan. The announcement marked the end of a period where no arms sales were made—what some suggested was a U.S. arms sales “freeze” to Taiwan prior to the 2008 Olympic Games (as Admiral Timothy Keating appeared to confirm in a briefing on July 16, 2008).<sup>46</sup> Barack Obama, then a U.S.

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<sup>42</sup> Among other initiatives during the Chen Administration, in January 2005, Taiwan and the PRC launched the first non-stop holiday direct charter flights flown in 55 years across the strait. These were expanded in 2006 with an agreement to allow up to 168 direct annual round-trip charter passenger flights between China and Taiwan.

<sup>43</sup> The principal change in this policy review appeared to be the initiation of U.S. high-level engagement with Taiwan for economic entities. The only public issuance concerning the modifications was given in the 1994 testimony of Winston Lord, Assistant Secretary of State for East Asia, before the Senate Foreign Relations Committee. Hearing on Taiwan Policy, Senate Foreign Relations Committee/East Asian and Pacific Affairs, September 27, 1994.

<sup>44</sup> At least one press account has speculated that an informal State Department review of U.S.-Taiwan relations would be conducted early in the Obama Administration. Lowther, William, “Clinton may visit PRC, discuss Taiwan ...”; *Taipei Times*, English, February 2, 2009.

<sup>45</sup> See CRS Report RL30957, *Taiwan: Major U.S. Arms Sales Since 1990*, by Shirley A. Kan.

<sup>46</sup> Admiral Timothy Keating, “A Combatant Commander’s Perspective on the Asia-Pacific,” The Heritage Foundation, July 16, 2008.

Senator, expressed support for this arms sale decision, suggesting that U.S. arms sales policies will not change in the Obama Administration:

Senator Obama welcomes the Bush Administration's decision to notify Congress concerning the package of weapons systems for Taiwan. This package represents an important response to Taiwan's defense needs.<sup>47</sup>

### **Taiwan's Bid for U.N. Observer Status**

In 2009, it has become apparent that Beijing has reassessed its past efforts to keep Taiwan from participating more meaningfully in U.N. organizations. On January 13, 2009, the WHO sent a letter to Taiwan stating that the island henceforth would be included in the International Health Regulations (IHR), a set of legally binding rules governing international commitment to disease surveillance, alert, and response. As an IHR participant, Taiwan will be included in the Global Outbreak and Alert Response Network, receiving the latest updates directly from the WHO on global epidemics.

On April 29, 2009, Taiwan authorities announced that the World Health Organization (WHO) had invited Taiwan to attend the 2009 World Health Assembly meeting from May 18-27 as an observer. The invitation marked the first time that Taiwan has been permitted to participate in an activity of U.N. specialized agency since it lost its U.N. seat to the PRC in 1971. The invitation came in a letter to "the Department of Health, Chinese Taipei" and signed by WHO Director-General Margaret Chan of Hong Kong, a Special Administrative Region of the PRC. Taiwan's Department of Health sent a 15-member delegation to the meeting, led by Yeh Ching-chuan, Taiwan's health minister.<sup>48</sup>

Taiwan President Ma Ying-jeou attributed the 2009 invitation to his moderate and flexible approach toward Beijing during the first year of his tenure. In its first WHO bid on August 14, 2008, the Ma Administration submitted a proposal to the U.N. Secretariat asking to be allowed to have "meaningful participation" in U.N. special organizations such as the WHO.<sup>49</sup> The PRC had raised objections on August 18, 2008, saying that as a non-state, Taiwan was not qualified to participate in U.N. activities.<sup>50</sup> Because of these objections, on September 19, 2008, a U.N. subcommittee decided not to include Taiwan's request for "meaningful participation" in U.N. activities on the agenda for the 63<sup>rd</sup> General Assembly.

Some observers in Taiwan have bristled at the suggestion that PRC officials essentially had given "permission" for Taiwan to participate in 2009 by negotiating directly with the WHO to include Taiwan.<sup>51</sup> Taiwan's Foreign Minister, Francisco H.L. Ou, earlier had said that Taiwan would only

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<sup>47</sup> Kessler, Glenn, "Obama commends Taiwan arms sales," *The Washington Post* online, October 9, 2008.

<sup>48</sup> Low, Y.F., "CNA: World Health Assembly's Invitation Raises Taiwan's International Profile," *Taipei Central News Agency*, in English, April 29, 2009.

<sup>49</sup> According to *The China Post* of August 16, 2008, the resolution was titled "The Need to Examine the Fundamental Rights of the 23 Million People of the Republic of China (Taiwan) to Participate Meaningfully in the Activities of the U.N. Specialized Agencies."

<sup>50</sup> The objection came from the PRC's U.N. Ambassador Wang Guangya in an August 18, 2008 letter to U.N. Secretary-General Ban Ki-moon. Cited by Jenny Hsu, "MOFA unsurprised by PRC reaction to U.N. participation," *Taipei Times*, August 28, 2008, p. 1.

<sup>51</sup> Xie Yu, "Taiwan put under WHO health rules," *China Daily*, February 12, 2009.

accept an invitation extended directly by the WHO Secretariat, not one routed through Beijing.<sup>52</sup> Taiwan had been unsuccessful in 15 previous attempts to gain either membership or non-member status in the U.N. and its affiliates such as the WHO. Taiwan's efforts under the DPP Administration of President Chen included an application both for full U.N. membership as well as for use of either the name "Republic of China" or "Taiwan." These applications had been of particular concern to both China and the United States.

U.S. government officials, on record in the past as supporting Taiwan's membership in organizations "where statehood is not an issue,"<sup>53</sup> had been unusually blunt and outspoken in opposition to some of Taiwan's past U.N. application efforts under President Chen. In August 2007, for instance, a senior U.S. officials said:

We are very supportive of Taiwan on many many fronts.... However, membership in the United Nations requires statehood. Taiwan, or the Republic of China, is not at this point a state in the international community. The position of the United States government is that the ROC ... is an issue undecided, and it has been left undecided ... for many, many years.<sup>54</sup>

In response to the 2009 announcement, however, the U.S. State Department issued a statement saying that the United States has "long supported Taiwan's meaningful participation in the WHO, including observers status at the WHA."<sup>55</sup>

### **Resumption of PRC-Taiwan Talks**

With PRC-Taiwan talks having resumed for the first time in a decade in 2008, U.S.-China relations under the Obama Administration are positioned to benefit from the resulting easing of cross-strait tensions. As a presidential candidate in Taiwan, Ma Ying-jeou had sought to reduce tensions with the PRC by pledging adherence to a "three no's" approach: no unification, no independence, and no use of force—a pledge he repeated in his inaugural address. He called for a "diplomatic truce" with the PRC and pledged to stop using "dollar diplomacy" to win foreign country recognition. President Ma has moved quickly to implement his new cross-strait approach, signaling greater flexibility. In an unprecedented move, Taiwan in May 2008 worked jointly with the PRC in providing disaster relief after the Sichuan earthquake. By late May 2008, Taiwan had accepted a PRC invitation to resume official talks in Beijing for the first time since October 1998.<sup>56</sup> The chairman of the KMT, Wu Poh-hsiung, met with PRC President Hu Jintao on May 28, 2008, the highest-level encounter between the two sides since 1949. Since then, Taiwan and China have had three rounds of direct talks:

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<sup>52</sup> Chen, Jian, "WHA arrangements directed by China unacceptable: foreign minister," *Central News Agency*, March 19, 2009.

<sup>53</sup> A State Department spokesman, in response to a press question at the State Department press briefing of March 20, 2002.

<sup>54</sup> Dennis Wilder, National Security Council Senior Director for Asian Affairs, at a White House press briefing on the President's September APEC trip, August 30, 2007.

<sup>55</sup> U.S. Department of State, Statement by Robert A. Wood, Acting Spokesman, dated April 29, 2009.

<sup>56</sup> The Taiwan and PRC government still do not negotiate directly. In Taiwan, cross-strait talks are handled by the Straits Exchange Foundation (SEF), a private organization authorized by the government to handle these exchanges. The corresponding body in the PRC is the Association for Relations Across the Taiwan Strait (ARATS). The June 13 talks were conducted by these two bodies.

- A first round in Beijing on June 12-13, 2008, resulting in groundbreaking new agreements to allow weekend direct charter flights and boost PRC tourism to Taiwan.
- A second round in Taiwan on November 4-7, 2008, resulting in four agreements on direct sea transportation, air transportation, food safety, and direct postal links.
- A third round in Nanjing on April 26-28, 2009, resulting in agreements on cross-strait crime fighting, mutual judicial assistance, and others, plus a consensus, for the first time, on promoting mainland investment in Taiwan.

Taiwan also has undertaken several unilateral initiatives, including:

- June 26—Taiwan announced a number of financial liberalization measures, including allowing conversion of the RMB into Taiwan dollars; allowing Chinese companies on the Hong Kong stock exchange to have secondary listings on Taiwan's stock exchange; allowing PRC-backed mutual funds to invest in Taiwan's stock market; and allowing Taiwan brokerage houses to double their investments in PRC counterparts.
- June 30—Taiwan's Government Information Office announced that two major PRC media outlets would be allowed to station reporters in Taiwan effective immediately.
- July 8—Taiwan's Ministry of Economics announced it would ease investment restrictions with the PRC in three broad steps over the coming six months: raising the cap on Taiwan companies' investment in the PRC from 40% to 60%; lifting restrictions preventing Taiwan companies in certain sensitive sectors (such as advanced semiconductors) from investing in the PRC; and lifting restrictions preventing PRC companies from investing in Taiwan.

PRC President Hu Jintao in a speech on December 31, 2008, suggested a further avenue for improvements in cross-strait ties, offering six proposals. Among these was a new proposal to establish military contacts and a “mechanism of mutual military and security trust” within the context of the formal ending of hostilities between the two sides.<sup>57</sup> As President Hu was quoted,

... the two sides may start pragmatic discussions on the political relations in the special circumstance of absence of unification. And in order to stabilize the situation in the Taiwan Straits and reduce military and security concerns, the two sides may have contacts and exchanges regarding military issues in due course to explore the topic of establishing a mechanism of mutual military and security trust. We, again, call for consultation between the two sides on formally ending hostility, reaching a peace agreement and conceiving a framework for the peaceful development of the cross-Straits relations on the basis of the one China principle.<sup>58</sup>

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<sup>57</sup> “President Hu Jintao offered new proposals on further promoting cross-Straits peaceful development,” Consulate-General of the PRC in Houston, <http://houston.china-consulate.org/eng/nv/t532187.htm>.

<sup>58</sup> Ibid.

## China's Foreign Relations<sup>59</sup>

China's robust international engagement since 2000 has caught some by surprise and has prompted growing American debate over the PRC's motivations and objectives. The fact that much of this international engagement has expanded while the United States has been preoccupied with its military involvement in Iraq and Afghanistan has caused a certain degree of American introspection. Of particular concern are the implications that China's growing international engagement could have for its "soft power" projection around the world, and consequently what this means for U.S. economic and strategic interests.

Experience shows that abrupt, unexplained shifts in policy still occur with a fair degree of regularity in the PRC system. Still, some fundamental objectives appear to be motivating Beijing's foreign policy outreach. These include an imperative to promote and enhance China's economic development, particularly its voracious appetite for energy resources and raw materials to sustain its impressive annual growth rate; an effort to separate Taiwan from its 23 remaining official relationships; and a desire to increase China's international stature and compete more successfully with U.S. supremacy. To achieve these ends, China in recent years has crafted multiple bilateral agreements and partnerships, joined and become more active in existing multilateral organizations, and founded new multilateral institutions that tend to exclude the United States.

China's foreign policy approach has several competitive advantages over the United States. The unrestricted nature of Beijing's overseas loans and investments is attractive to foreign governments wanting solutions to their development problems that in many cases are swifter, more efficient, and less intrusive than western lenders can offer. Beijing's large state-owned companies, with deep pockets and no shareholders to answer to, also can afford short-term losses in pursuit of longer-term, more strategic gains. But China's approach also has structural limitations in areas where the United States is strong. Beijing's foreign development policy operates from a narrower base, with China's "win-win" approach tackling easy issues first and postponing difficult issues, perhaps indefinitely. Acquiring an international presence also brings certain complications that are new to the PRC, including multiple opportunities for international misunderstanding, resentment, and cultural backlash. Finally, unlike the United States, China lacks the advantage of a substantial private-sector investment presence overseas.

Still, it is clear that China increasingly is competing more directly with the United States both economically and politically in the international arena. For instance, in 2005, China took part in the first East Asia Summit (EAS), a fledgling grouping of 16 Asian and Pacific nations including China, the ten members of the Association of Southeast Asian Nations (ASEAN), Japan, South Korea, India, Australia, and New Zealand, but excluding the United States.<sup>60</sup> The next EAS summit – the fourth since 2005 – is expected to be held in Thailand in April 2009. China also has pursued both economic and security arrangements with the Central Asian countries of the former Soviet Union, including Russia, through the Shanghai Cooperation Organization (SCO), founded

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<sup>59</sup> See CRS Report RL34588, *China's Foreign Policy: What Does It Mean for U.S. Global Interests?*, by Kerry Dumbaugh.

<sup>60</sup> First established in 1967, ASEAN in 2005 includes Brunei-Darassalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar (Burma), the Philippines, Singapore, Thailand, and Vietnam. The United States maintains military alliances with the Philippines and Thailand, and has significant naval and air base arrangements with Singapore.

in 2001.<sup>61</sup> Within the SCO context, China has cooperated on border enforcement, signed pipeline and rail link agreements, and conducted joint military maneuvers. The PRC held joint military exercises with Russia in 2005 (“Peace Mission 2005”) and with Russia and the other members of the SCO (“Peace Mission 2007”).

China also is becoming an increasing competitor to the United States for influence and access to energy resources in the Middle East. PRC President Hu Jintao made an official state visit to Saudi Arabia February 10-12, 2009, in a move to strengthen Sino-Saudi Arabian energy ties. In addition, China’s trade with the six Gulf Cooperation Council (GCC) countries has steadily increased in recent years, reportedly reaching \$32 billion in 2005 (although this is still small by comparison with the United States, whose total trade with Saudi Arabia alone in 2005 was approximately \$34 billion).<sup>62</sup> In January 2009, PRC Foreign Minister Yang Jiechi met with Oman’s Foreign Minister, Yousuf bin Alawi bin Abdullah, to discuss China’s willingness to improve Sino-Arab cooperation, including efforts to resolve Palestinian-Israeli conflicts.<sup>63</sup> In addition, the PRC in December 2008 began to provide navy task forces to protect its commercial ships navigating the Gulf of Aden from Somali pirate attacks. This is the first time in modern history that the PRC has deployed its navy for an operational mission.

PRC relations with some countries considered to be “bad actors” have been particularly nettlesome for U.S. policy. China has cultivated resource-rich African nations such as Sudan and Angola for energy-related development, for instance, despite increasing U.S. and international pressure on Beijing to influence the Sudanese government to do more to resolve the humanitarian crisis in Darfur. U.S. officials also find PRC relations with Iran problematic, seeing U.S.-sponsored diplomatic pressure against Iran’s suspected nuclear weapons program as being hampered by PRC opposition to U.N. Security Council sanctions against Iran.

The PRC’s growing international outreach also extends to U.S. allies. China has been courting the European Union (EU) intensively. PRC Premier Wen Jiabao made an early visit in 2009 to six countries in Europe (excluding France, reportedly because of French President Nicolas Sarkozy’s decision in December 2008 to meet with the Dalai Lama). On October 24, 2006, the European Commission released a new paper to the European Parliament entitled “EU-China: Closer Partners, Growing Responsibilities.” The document reinforced the trends once remarked upon by then-European Commission President Jose Manuel Barroso—that the EU considers China a “strategic partner” and has made developing Sino-EU ties “one of our top foreign policy objectives in the years to come.”<sup>64</sup> Finally, China has expanded its economic and trade relationships with Latin American and Caribbean countries. In September 2004, China sent a “special police” contingent to Haiti, marking Beijing’s first deployment of forces ever in the Western Hemisphere. The PRC signed a Free Trade Agreement (FTA) with Chile in 2005, and in 2007 surpassed the United States as Chile’s largest trading partner.<sup>65</sup> Beijing built upon this

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<sup>61</sup> The SCO is a more recent expansion of the “Shanghai Five” formed in 1997. SCO members include China, Russia, Uzbekistan, Kazakhstan, Kyrgyzstan, and Tajikistan.

<sup>62</sup> The six GCC countries are the United Arab Emirates (UAE), Saudi Arabia, Bahrain, Kuwait, Qatar, and Oman. Statistics for two-way U.S.-Saudi Arabia trade are from the U.S. Census Bureau, Foreign Trade Statistics.

<sup>63</sup> “FM: China to boost cooperation with Arabs,” *Chinaview* online ([www.chinaview.cn](http://www.chinaview.cn)), January 13, 2009.

<sup>64</sup> [http://europa.eu.int/comm/external\\_relations/china/summit\\_1204/ip04\\_1440.htm](http://europa.eu.int/comm/external_relations/china/summit_1204/ip04_1440.htm)

<sup>65</sup> Jiang Wei, “China-Chile FTA Talks Smooth,” *China Daily*, January 31, 2005, online at [http://www.bilaterals.org/article.php3?id\\_article=1237](http://www.bilaterals.org/article.php3?id_article=1237).

foundation in November 2008, signing another FTA with Peru, a mineral-rich country with large deposits of copper and iron ore.

## **Environmental Issues**

China's economic development and need for greater energy resources is having a rapidly increasing impact on the environment, both within China and for its regional and global neighbors. Although China alone has been the source of 40% of the world's oil demand growth since 2000,<sup>66</sup> its continued heavy dependence on soft coal in recent years has ranked it with the United States as the world's largest contributors to global carbon-dioxide (CO2) emissions.

According to the U.S. Department of Energy, carbon emissions related to China's energy use more than doubled between 1980 and 2003, an increase that had a corresponding impact on air and water quality, agriculture, human health, and climate change. PRC leaders have recognized that this trend is not sustainable and have undertaken efforts to address environmental quality, including establishment in 1998 of the State Environmental Protection Administration, adoption of a series of environmental laws and regulations, and mandatory conversion of many government vehicles to non-polluting liquefied petroleum and natural gas.<sup>67</sup> Despite this, PRC efforts to date have been unable to keep up with the extensive and worsening pollution from China's growing economic development.

Beijing's push to meet more of its development needs through the cleaner technology of hydro-power has exacerbated other long-term environmental problems in China. To generate electric power, the government has launched massive dam construction projects, continuing an effort that has occurred throughout centuries of Chinese history to tame recurring floods.<sup>68</sup> Projects such as the Three Gorges Dam on the Yangtze River have been criticized heavily by environmental scientists who blame this and other such construction for significantly contributing to the country's worsening desertification and flood damage woes. Moreover, since some of the region's most significant rivers originate in the mountains of Tibet, China's hydro-power development programs are increasingly affecting its neighbors. China began multiple dam construction on the upper Mekong River in Yunnan Province with little thought to the resulting impact on Burma, Thailand, Laos, Cambodia, and Vietnam, the dams' downstream neighbors. Other important regional rivers originating in Tibet include the Brahmaputra (India and Bangladesh); Irrawaddy (Burma); the Indus (Pakistan); and the Salween (Burma and Thailand).

The United States and China engage in energy and environment-related dialogue through the U.S.-China SED (Strategic Economic Dialogue). As an outgrowth of that dialogue, on December 15, 2006, both countries announced that China would become the third country to join the United States in the FutureGen International Partnership, a collaborative effort to reduce carbon emissions. The two countries also signed an Energy Efficiency and Renewable Energy Protocol, an effort to promote clean, renewable energy technology. The third SED, which ended on

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<sup>66</sup> CRS Report RL32466, *Rising Energy Competition and Energy Security in Northeast Asia: Issues for U.S. Policy*, by Emma Chanlett-Avery.

<sup>67</sup> "China: Environmental Issues," in Country Analysis Briefs, Energy Information Administration, U.S. Department of Energy, published in July 2003. <http://www.eia.doe.gov/emeu/cabs/China/Environment.html>

<sup>68</sup> According to Jasper Becker in a series of environmental articles in the Asia Times, China is home to 22,104 dams, compared to 6,390 in the United States and 4,000 in India. Becker, Jasper, "Peasants bear the brunt of China's energy plans," Asia Times Online, 2003.

December 13, 2007, produced an agreement to establish a working group to explore cooperation in energy and environmental fields.

## **Domestic Political Issues**

Despite China's rapid economic advances and its expanded international influence, its internal political and institutional development have not kept comparable pace. Increasing social and economic inequities have led to growing strains in China's political and societal fabric—between the central government in Beijing and the provincial and municipal governments in the interior; between the socialist left and the increasingly capitalist right; between those arguing for economic growth at all costs and those advocating more sustainable and equitable development; and between the few newly wealthy who have thrived under economic liberalism and the many desperately poor who have not. Civil society remains hobbled by stern regulations on organizations, and the press is constrained from aggressive reporting in many areas. Leaders in Beijing are thought to be deeply concerned about the political and social implications of these internal strains and deficiencies, and increasing debate on and maneuvering around these issues is likely to continue affecting the political environment in China in the foreseeable future.

## **Social Stability**

In addition to grievances and resulting demonstrations by Uighurs in the Xinjiang-Uighur Autonomous Region and Tibetans in the Tibetan Autonomous Region, the 2008 Sichuan earthquake and the 2008-2009 global financial crisis provided potential opportunities for public dissatisfaction with the PRC government—the latter focusing on the government's plans to reverse the rising unemployment among China's rural migrant workforce and export-oriented industries, and the former focusing on the issue of shoddy construction that led to more earthquake deaths than might have occurred with sturdier buildings. The far-reaching economic changes the PRC continues to undergo have led to increasing disgruntlement among a number of social groups.<sup>69</sup> Peasants and farmers in rapidly developing parts of China have labored under heavy tax burdens and fallen farther behind their urban contemporaries in income. Some have had their farmland confiscated by local government and Party officials. Officials then sell the confiscated land for development, often reportedly offering little or no compensation to the peasants from which the land was seized, resulting in sometimes sizable protests. One widely publicized case occurred on December 6, 2005, in the southern Chinese city of Dongzhou (Shanwei), when paramilitary forces opened fire on villagers demonstrating against the confiscation of their land for the construction of a new power plant, killing an unknown number of villagers.

In an effort to address rising rural complaints, the government early in 2005 proposed a new measure, the “2005 Number 1 Document,” to reduce taxes on rural peasants, increase farm subsidies, and address the widening income gap between urban and rural residents. Rising labor unrest, particularly in northern and interior cities, is another particularly troubling issue for Beijing, a regime founded on communist-inspired notions of a workers' paradise. Increasing labor unrest also has placed greater pressure on the authority and credibility of the All-China Federation of Trade Unions (ACFTU), China's only legal labor organization.<sup>70</sup> In October 2008, the

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<sup>69</sup> See CRS Report RL33416, *Social Unrest in China*, by Thomas Lum.

<sup>70</sup> The ACFTU is controlled by the Communist Party. For background and further details, see CRS Report RL31164, (continued...)

government issued new measures allowing farmers to lease and transfer or sell rights to the property allocated to them by the state, in order to help strengthen their control over their land. The effect of the global financial crisis, which has closed factories in China and thrown many migrant workers out of work, suggests that rising social unrest will grow as a problem for PRC policymakers.

## **Human Rights<sup>71</sup>**

During her first trip to China in February 2009, Secretary of State Hillary Clinton generated some controversy when she downplayed the issue of human rights in her discussion of the three key challenges for U.S.-China relations: the global financial crisis, climate change, and a range of security issues.<sup>72</sup> In response to a press question about human rights and other issues on February 20, 2009, the Secretary said, “... our pressing on those issues [Taiwan, Tibet, and human rights] can’t interfere with the global economic crisis, the global climate change crisis, and the security crisis.”<sup>73</sup> The Bush Administration generally favored selective, intense pressure on individual human rights cases and on rule of law issues rather than the broader approach adopted by previous American administrations. There has been little sign that the U.S. position on human rights has had much affect on PRC policies, although there is growing evidence of increasing social demands within China for greater accountability, transparency, and responsiveness in government.

## ***Religious Freedom***

The PRC continues to crack down on unauthorized religious groups and to restrict the freedoms of ethnic communities that seek greater religious autonomy. Some of this repression focuses on what PRC officials have classified as illegal religious “cults” such as the Falun Gong.<sup>74</sup> Reports about religious freedom in China suggest that state persecution of some religious and spiritual groups will likely continue as long as the Chinese Communist Party perceives these groups to be threatening to its political control. However, religions in the PRC have also attracted increasing numbers of adherents as well. Tibetan Buddhists and Uighur Muslims, two PRC ethnic minorities, are particularly vulnerable to official religious persecution because of the extent to which Beijing links their religious beliefs to ethnic separatist sentiments.

In the China section of its most recent annual *International Religious Freedom Report*, released September 19, 2008, the U.S. Department of State judged China’s record on religious freedom to remain poor and substantially the same as during previous years. The State Administration for Religious Affairs, SARA, (formerly known as the Religious Affairs Bureau, or RAB) continues to require churches to register with the government. Churches that are unregistered, so-called house

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(...continued)

*China: Labor Conditions and Unrest*, by Thomas Lum.

<sup>71</sup> See CRS Report RL34729, *Human Rights in China: Trends and Policy Implications*, by Thomas Lum and Hannah Fischer.

<sup>72</sup> Secretary Clinton’s remarks at a press roundtable, “Working toward change in perceptions of U.S. engagement around the world,” Seoul, South Korea, February 20, 2009, <http://www.state.gov/secretary/rm/2009a/02/119430.htm>.

<sup>73</sup> Press roundtable in Seoul, Korea, “Working toward change in perceptions of U.S. engagement around the world,” Secretary of State Clinton, February 20, 2009. <http://www.state.gov/secretary/rm/2009a/02/119430.htm>

<sup>74</sup> See CRS Report RL33437, *China and Falun Gong*, by Thomas Lum.

churches, continue to be technically illegal and often repressed by the government, but still they reportedly attract tens of millions of adherents. Treatment of unregistered churches varies widely from locality to locality, with some local officials highly repressive and others surprisingly tolerant. Communist Party officials continue to stress that religious belief is incompatible with Party membership.

### ***Family Planning Policies<sup>75</sup>***

Because of allegations of coercion in PRC family planning programs, direct and indirect U.S. funding for family planning practices in China is prohibited in provisions of several U.S. laws. In addition, legislation in recent years has expanded these restrictions to include U.S. funding for international and multilateral family planning programs, such as the U.N. Population Fund (UNFPA), that have programs in China. Section 660(c) of the House-passed version of H.R. 2764, the FY2008 State, Foreign Operations, and Related Programs Appropriations Bill for FY2008 Department, prohibits funds for a UNFPA country program in China and requires a report on the UNFPA China program from the Secretary of State. The House passed the measure on June 21, 2007. The Obama Administration has pledged to work with Congress to restore these UNFPA contributions.<sup>76</sup>

Although the PRC has maintained its restrictive and at times coercive “one-child” program for several decades, there are indications that the government may be re-thinking this policy. Early in 2004, China’s new leadership appointed a task force to study the country’s demographic trends and their implications for economic development. In October 2004, reports surfaced that Beijing was considering at least one proposal to eventually scrap the one-child policy because of currently low PRC birth rates and the economic implications this has for supporting China’s huge aging population. On January 6, 2005, the director of China’s National Population and Family Planning Commission stated that the government intended to modify criminal law to make it illegal to selectively identify and abort female fetuses.<sup>77</sup>

There also is growing evidence that citizens of the PRC are becoming more assertive about their reproductive rights.<sup>78</sup> In mid-May 2007, news accounts reported violent public protests in Guangxi Province (Bobai County) over the “savage implementation” of family planning policies by local authorities, including the retroactive imposition of extraordinarily heavy fines and the confiscation or destruction of household goods and food.<sup>79</sup> Revision of the “one-child” policy has also been mentioned in connection with the Sichuan earthquake of May 12, 2008, where the widespread destruction of schools meant that many parents lost their only child.

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<sup>75</sup> See CRS Report RL33250, *International Population Assistance and Family Planning Programs: Issues for Congress*, by Luisa Blanchfield.

<sup>76</sup> Crossette, Barbara, “‘Global gag rule’ lifted,” *The Nation*, January 25, 2009. In addition, President Obama has pledged to work with Congress to reinstate U.S. contributions to the UNFPA.

<sup>77</sup> PRC statistics show that nearly 120 boys are born for every 100 girls—a gender ratio suggesting selective abortion of female fetuses. The “natural” male-female gender ratio is about 105-100, according to a United Nations estimate. “Analysts View Problems with Huge PRC Gender Gap,” *South China Morning Post*, January 7, 2005.

<sup>78</sup> Pan, Philip, “Who controls the family? Blind activist leads peasants in legal challenge to abuses of China’s population-growth policy,” *Washington Post*, August 27, 2005, p. A1.

<sup>79</sup> Reported in *Tung Fang Jih Pao*, May 21, 2007, translated in FBIS, FEA20070522158306.

## China-Related Legislation in the 111<sup>th</sup> Congress

### **H.R. 471** (Altmire)

The Supporting America's Manufacturers Act. The bill would limit the President's discretion to deny relief under the special China safeguard provision of the Trade Act of 1974. Introduced January 13, 2009, and referred to the House Ways and Means Committee and the House Rules Committee.

### **H.R. 2312** (Israel)

The U.S.-China Energy Cooperation Act. The bill authorizes the Secretary of Energy to make grants encouraging cooperation between the United States and China on joint research, development, or commercialization of carbon capture and sequestration technology, improve energy efficiency, or renewable energy sources. Introduced on May 7, 2009, and referred to the House Energy and Commerce and House Science and Technology Committees.

### **H.R. 2410** (Berman)

Foreign Relations Authorization Act, FY2010 and FY2011. Section 237 of the bill deals with Tibet, proposing amendments to the Tibetan Policy Act of 2002. The bill requires that U.S. policy on Tibet be coordinated among and communicated to all U.S. Executive Branch Agencies dealing with China; strengthens the authority and resources of the U.S. Special Coordinator for Tibet; and established a Tibet section within the U.S. Embassy in Beijing. Section 618 of the bill requires the Secretary of State to seek to establish a U.S. consulate in Lhasa. The bill was introduced on May 14, 2009, and referred to the House Foreign Affairs Committee. The Committee reported the bill on June 4, 2009 (H.Rept. 111-136), and the House passed the measure on June 10, 2009, by a vote of 235-187. The bill was referred to the Senate on June 22, 2009.

### **H.R. 2454** (Waxman)

American Clean Energy and Security Act of 2009. As reported from Committee, the bill's Section 3 requires an annual report to Congress on whether China and India have adopted greenhouse gas emissions standards at least as stringent as those in the act. Introduced on May 12, 2009, and referred to the House Committee on Energy and Commerce and multiple other committees. After several other committees were discharged, the House Energy and Commerce Committee ordered the bill reported on May 21, 2009. The House considered and passed the bill on June 26, 2009, by a vote of 219-212. The bill was received in the Senate on July 6, 2009.

### **H.R. 2647/S. 1390** (Skelton/Levin)

National Defense Authorization Act for FY2010. Section 828 of the bill requires the Department of Defense to report by April 1, 2010, on the value that foreign nations, specifically including China, place on rare earth materials and the importance that rare earth materials have in the U.S. defense supply chain. Introduced June 2, 2009, and referred to the Committee on Armed Services. The Committee reported the bill in two segments: H.Rept. 111-166 (Part I) on June 18, 2009; and a supplemental report, H.Rept. 111-166 (Part II) on June 23, 2009. The House passed the bill on June 29, 2009, by a vote of 389-22. The measure was referred to the Senate on July 6, 2009. A Senate version of the National Defense Authorization Act, S. 1390, introduced on July 2, 2009, contains no similar provision.

**H.R. 2997** (DeLauro)

Agriculture, Rural Development, Food and Drug, and Related Agencies Appropriations Act, 2010. Section 723 of the act prohibits funds from being used to allow poultry imports from the PRC. The House Appropriations Committee reported an original measure on June 23, 2009 (H.Rept. 111-181). The full House passed the bill July 9, 2009, by a vote of 266-160.

**H.R. 3012** (Michaud)

The Trade Act of 2009. Requires a review (and potential renegotiation) of existing trade agreements to evaluate their economic, environmental, national security, health, safety, and other effects. Introduced June 24, 2009, and referred to the House Ways and Means Committee.

**H.R. 3081** (Lowey)

Department of State, Foreign Operations, and Related Agencies Appropriations Act, 2010. The bill authorizes funds for expenses for both the Congressional-Executive Commission on China and the U.S.-China Economic and Security Review Commission. Section 7070(a) of the bill concerns Tibet, including provisions that the United States should support projects in international financial institutions that preserve and protect Tibet's culture and environment, and provides \$7.3 million in funds for NGOs supporting Tibetan culture and sustainable development. Section 7070(e) of the bill prohibits funds for export licenses for U.S. satellites for launch in China unless the Appropriations Committee is notified 15 days in advance; and provides funding restrictions for any activities of the People's Liberation Army or its affiliates. The House Appropriations Committee reported an original measure on June 26, 2009 (H.Rept. 111-187), and the House passed the bill on July 9, 2009, by a vote of 318-106.

**H.R. 3237** (Conyers)

A bill to enact laws relating to national and commercial space programs. Section 30701 of the bill requires certification 15 days in advance of any agreement with the PRC concerning space programs, spacecraft, launch systems, or scientific and technical information, that such an agreement is not detrimental to the U.S. space launch industry and will not improve PRC space or missile launch capabilities. The bill was introduced on July 16, 2009, and referred to the House Committee on the Judiciary. An explanation of the revision is provided by the Office of the Law Revision Council at <http://uscode.house.gov/cod/t51/>.

**H.Con.Res. 18** (Linder)

A resolution expressing the sense of Congress that the United States resume diplomatic relations with Taiwan and abandon the "One-China Policy." Introduced on January 9, 2009, and referred to the House Foreign Affairs Committee.

**H.Con.Res. 55** (Berkley)

Recognizing the 30<sup>th</sup> anniversary of the Taiwan Relations Act. Introduced February 23, 2009 and referred to the House Foreign Affairs Committee (Subcommittee on Asia) and the Senate Foreign Relations Committee. The House Subcommittee held markup on March 19, 2009, and forwarded the bill, amended, to the full Committee. The full House considered the measure on the suspension calendar, passing it by voice vote on March 24, 2009.

**H.Con.Res. 72** (Forbes)

A resolution condemning any action of the PRC that unnecessarily escalates bilateral tensions, including the incidents in the South China Sea against the USNS Impeccable in March 2009. Introduced on March 12, 2009, and referred to the House Foreign Affairs Committee.

**H.Res. 44** (Poe)

A resolution condemning the PRC for unacceptable business practices, including manufacturing unsafe products, disregard for environmental concerns, and exploitative employment practices. Introduced January 9, 2009, and referred to the House Foreign Affairs Committee.

**H.Res. 156** (McCotter)

A resolution supporting Charter 08 and the ideals of the Charter 08 movement. Introduced on February 11, 2009, and referred to the House Foreign Affairs Committee.

**H.Res. 226** (Holt)

A resolution calling for a peaceful and durable solution to the Tibet issue and for a sustained U.S. effort consistent with the Tibetan Policy Act of 2002. Introduced on March 9, 2009, and referred to the House Foreign Affairs Committee. The full House considered the bill on March 11, 2009, on the suspension calendar; the measure passed on March 11 by a vote of 422-1.

**H.Res. 590** (Wu)

Introduced June 26, 2009, and referred to the House Foreign Affairs Committee. The measure expresses grave concerns about the sweeping censorship, privacy, and cybersecurity implications of China's Green Dam filtering software, urging U.S. high-tech companies to promote the Internet as a tool for transparency and freedom of expression.

**H.Res. 604** (Ros-Lehtinen)

The measure recognizes the vital role of the Proliferation Security Initiative (PSI), and urges non-participating countries, specifically including China, to cooperate with U.N. Security Council resolutions 1718 and 1874 to prevent dangerous exports from North Korea to countries posing a threat to the United States. Introduced June 26, 2009, and referred to the House Foreign Affairs Committee.

**S.Res. 91** (Nelson)

A resolution calling on the Consumer Product Safety Commission, the Secretary of the Treasury, and the Secretary of Housing and Urban Development to take action on issues relating to drywall imported from China. Introduced March 30, 2009, and referred to the Committee on Commerce, Science, and Transportation.

## Chronology of Events

**07/27-28/09**—The first U.S.-China Strategic and Economic Dialogue was held in Washington, DC. The two sides signed a memorandum of understanding reaffirming their commitment to cooperate on addressing climate change, and said they would work to reform the governance of the International Monetary Fund and the World Bank to better reflect China's growing economic status.

**07/27/09**—China criticized Japan for permitting a visit by exiled Uighur businesswoman Rebiya Kadeer.

**07/17/09**—The PRC government shut down the Open Constitution Initiative, an NGO legal aid group working on sensitive cases against the government. The group was shut down allegedly because it was improperly registered.

**07/13/09**—The Beijing Bureau for Legal Affairs instructed lawyers representing Uighurs charged with July 2009 Xinjiang protests to accept guidance and monitoring from government-controlled legal associations.

**07/09/09**—The Beijing Justice Bureau cancelled the annual licenses of 53 lawyers who had been involved in litigating high-profile cases against the government. The licenses were cancelled allegedly because they had failed to reapply for re-registration.

**07/07/09**—Utah Governor Jon Huntsman was nominated formally to become the next U.S. Ambassador to China.

**07/05/09**—A riot involving a reported 1,000 or more people broke out in Urumqi, the capital city of China's Xinjiang Province. The riots reportedly began when police confronted a protest march conducted by ethnic Uighurs, a Muslim minority in China. News accounts reported that the riots left 140 people dead and more than 800 injured.

**07/05/09**—Several employees of Australia's mining company, Rio Tinto Ltd., reportedly were detained in China allegedly for revealing state secrets. Rio Tinto at the time had been in difficult negotiations with the China Iron and Steel Association over the pricing of the iron ore it would sell to China.

**07/04/09**—In defiance of a U.N. Security Council resolution, North Korea fired 7 ballistic missiles into the sea between the Korean peninsula and Japan. The United States, South Korea, and Japan protested the firings; Beijing and Russia issued statements counseling restraint by all parties.

**05/13/09**—A civilian DOD employee was arrested on espionage charges that he sold sensitive information to a spy for the PRC government.

**05/12/09**—PRC officials and citizens held vigils and services in memory of those who died in the Sichuan earthquake on this date in 2008.

**04/26/09**—The third round of cross-strait talks took place in Nanjing between mainland China and Taiwan. The talks resulted in a consensus to promote, for the first time, mainland investment in Taiwan.

**04/01/09**—On the eve of the G-20 Summit in London, President Obama announced the initiation of a new high-level dialogue with the PRC: the Strategic and Economic Dialogue. The dialogue is expected to focus on economic, security, and other issues, and will follow a two-track approach: an “Economic Track” and a “Strategic Track.”

**03/31/09**—According to news reports (Xinhua, NYT), the PRC will reopen Tibet to tourists on April 5, 2009.

**03/29/09**—The *Information Warfare Monitor* published findings showing the existence of a cyber-espionage network based in China.

**03/25/09**—The Pentagon released its annual report on China’s Military Power.

**03/18/09**—The World Bank lowered its forecast for economic growth in China in 2009 to 6.5%—down from its earlier forecast of 7.5% and well below the 8% growth forecast by the PRC government.

**03/18/09**—Shanghai’s Food and Drug Administration announced an investigation into baby products made by Johnson & Johnson due to allegations that some chemicals in the products could cause cancer.

**03/18/09**—U.S. American Institute in Taiwan (AIT) chairman Ray Burghardt said that the United States was “comfortable with what’s happening” in Taiwan-PRC engagement. The same day, former President Chen Shui-bian appeared at his final pre-trial hearing before going on trial for corruption, scheduled to begin March 26, 2009.

**03/09/09**—The Pentagon reported that PRC ships and aircraft operating in the South China Sea had been acting in increasingly aggressive ways toward two U.S. Navy ocean surveillance ships operating in the area, the USNS Impeccable and the USNS Victorious. In an unrelated visit the same day, PRC Foreign Minister Yang Jiechi arrived in the United States for official meetings.

**03/05/09**—China’s national legislature, the National People’s Congress, began its annual meeting in Beijing. The meeting focused on the government’s economic stimulus package and other economic issues.

**03/04/09**—An article in the *Los Angeles Times* reported that China’s highest court for the first time had agreed to accept lawsuits against companies whose milk products had sickened tens of thousands of children.

**01/31/09**—Premier Wen Jiabao cast doubt on the PRC’s willingness to continue to buy U.S. Treasuries, saying that it would depend on China’s own needs and the security of PRC Treasury holdings.

**01/26/09**—The WTO ruled that China had failed to protect and enforce copyrights and trademarks in a wide range of goods.

## Appendix A. Selected Visits by U.S. and PRC Officials

**May 31, 2009**—U.S. Treasury Secretary Timothy Geithner made a three-day official visit to China to discuss plans for the new Strategic and Economic Dialogue scheduled for July 2009.

**April 16, 2009**—U.S. Chief of Naval Operations Admiral Gary Roughead began a six-day visit to China to discuss U.S.-China navy and military relations. During his visit, Roughead acknowledged China's efforts to help combat piracy off the coast of Somalia.

**April 2, 2009**—U.S. Treasury Secretary Timothy Geithner and PRC Vice Premier Wang Qishan met in London after the G-20 Financial Summit closed.

**April 1, 2009**—President Barack Obama and PRC President Hu Jintao met for an hour on the eve of the G-20 Financial Summit meeting in London. They agreed to build a more cooperative and comprehensive relationship, to increase exchanges at all levels, and to establish the U.S.-China Strategic and Economic Dialogue.

**February 27, 2009**—The Under-Secretary of Defense for East Asia, David Sedney, held two days of military consultations in Beijing with counterpart PRC Major General Qian Luhua.

**February 20-22, 2009**—Secretary of State Hillary Clinton made her first official visit to China as Secretary. The visit was part of a larger visit to Asia beginning on February 15, with stops in Japan, Indonesia, and South Korea.

## **Appendix B. Selected U.S. Government Reporting Requirements**

### **International Report on Economic and Exchange Rate Policies (semiannual report)**

*Most recent date available:* April 15, 2009

*Agency:* U.S. Department of the Treasury

*Legislative authority:* P.L. 100-418, the Omnibus Trade & Competitive Act of 1988

*Full text:* <http://www.ustreas.gov/press/releases/reports/fxreportfinalfor%20webapril152009.pdf>

### **International Religious Freedom Report, China (annual report)**

*Most recent date available:* September 19, 2008

*Agency:* U.S. Department of State

*Legislative authority:* P.L. 105-292, the International Religious Freedom Act (IRFA) of 1998, Section 203

*Full text:* <http://2001-2009.state.gov/g/drl/rls/irf/2008/108404.htm>

### **U.S. Commission on International Religious Freedom (annual report)**

*Most recent date available:* May 1, 2008

*Agency:* U.S. Commission on International Religious Freedom (USCIRF)

*Legislative authority:* P.L. 105-292, the International Religious Freedom Act (IRFA) of 1998, Section 203

*Full text:* <http://www.uscirf.gov/images/AR2008/annual%20report%202008-final%20edition.pdf>

### **Reports on Human Rights Practices, China (annual report)**

*Most recent date available:* February 25, 2009

*Agency:* U.S. Department of State

*Legislative authority:* The Foreign Assistance Act of 1961 (FAA), as amended, Sections 116(d) and 502(b); and the Trade Act of 1974, as amended, Section 504

*Full text:* <http://www.state.gov/g/drl/rls/hrrpt/2008/eap/119037.htm>

### **Military Power of the People's Republic of China (annual report)**

*Most recent date available:* March 25, 2009

*Agency:* U.S. Department of Defense

*Legislative authority:* P.L. 106-65, the National Defense Authorization Act for FY2000, Section 1202

*Full text:* [http://www.defenselink.mil/pubs/pdfs/China\\_Military\\_Report\\_2009.pdf](http://www.defenselink.mil/pubs/pdfs/China_Military_Report_2009.pdf)

### **Unclassified Report to Congress on the Acquisition of Technology Relating to Weapons of Mass Destruction and Advanced Conventional Munitions (annual report)**

*Most recent date available:* January 1-December 31, 2007

*Agency:* Director of Central Intelligence

*Legislative authority:* FY1997 Intelligence Authorization Act, Section 721

*Full text:* <http://www.dni.gov/reports/>

Unclassified%20Report%20to%20Congress%20WMD%20Covering%20January%20to%2031%20December%202007.pdf

**International Narcotics Control Strategy Report (annual report)**

*Most recent date available:* February 2009

*Agency:* U.S. Department of State, Bureau for International Narcotics and Law Enforcement Matters

*Legislative authority:* Section 489 of the Foreign Assistance Act of 1961, as amended (the “FAA,” 22 U.S.C. § 2291); sections 481(d)(2) and 484(c) of the FAA; and section 804 of the Narcotics Control Trade Act of 1974, as amended). Also provides the factual basis for designations in the President’s report to Congress on major drug transit or major illicit drug producing countries pursuant to P.L. 107-115, the Kenneth M. Ludden Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2002, Section 591.

*Full text Volume I:* <http://www.state.gov/p/inl/rls/nrcpt/2009/vol1/index.htm>

*Full text Volume II:* <http://www.state.gov/p/inl/rls/nrcpt/2009/vol2/index.htm>

**Report to Congress on China’s WTO Compliance (annual report)**

*Most recent date available:* December 11, 2008

*Agency:* United States Trade Representative

*Legislative authority:* P.L. 106-286, the U.S.-China Relations act of 2000, authorizing extension of Permanent Normal Trade Relations to the PRC, Section 421.

*Full text:* [http://www.ustr.gov/sites/default/files/asset\\_upload\\_file192\\_15258.pdf](http://www.ustr.gov/sites/default/files/asset_upload_file192_15258.pdf)

**Report Monitoring to Congress on Implementation of the 1979 U.S.-PRC Agreement on Cooperation in Science and Technology (biannual report)**

*Most recent date available:* April 15, 2005

*Agency:* U.S. Department of State, Office of Science and Technology Cooperation

*Legislative Authority:* P.L. 107-314, Bob Stump National Defense Authorization Act Section for FY2003, Section 1207

*Full text:* <http://www.state.gov/g/oes/rls/or/44681.htm>

**Report on Tibet Negotiations (annual report)**

*Most recent date available:* March 17, 2008

*Agency:* U.S. Department of State, Bureau of East Asian and Pacific Affairs

*Legislative Authority:* P.L. 107-228, Foreign Relations Authorization Act, 2003, Section 613

*Full text:* <http://www.savetibet.org/files/documents/>

*State\_Rept\_Tibet\_Negotiations\_031708%20.pdf*

**Congressional-Executive Commission Report (annual report)**

*Most recent date available:* October 31, 2008

*Agency:* Congressional-Executive Commission on China

*Legislative Authority:* P.L. 106-286, Normal Trade Relations with the People’s Republic of China, 2000

*Full text:* [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110\\_house\\_hearings&docid=f:45233.pdf](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_house_hearings&docid=f:45233.pdf)

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